

Management Response to IED's Corporate Evaluation of ADB's Procurement System, 2014–2021

On 15 February 2023, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. Management welcomes the evaluation and commends the Independent Evaluation Department (IED) and the evaluation team for its constructive approach, quality, inclusiveness, and depth of the evaluation. Management is of the view that the acceptance of the conclusions and implementation of the recommendations will build upon the progress to date and contribute towards a more efficient and effective procurement system improving development outcomes for the clients of ADB.

2. Management is encouraged by the conclusion of the evaluation and acknowledges that challenges remain. As highlighted in the evaluation, the move to the Procurement Policy Framework (PPF) represents a paradigm shift away from a traditional rules-based model used for 50 years to one that seeks to embed better development outcomes. Indeed, had the evaluation determined that all challenges had been met, then a likely conclusion reached would have been that the PPF was lacking in its ambition.

3. Management shares the view of IED, that this is a long-term endeavor requiring a sustained and strong commitment as One ADB. It is not a journey to a fixed point, rather a mindset and approach to procurement that seeks to create and maximize public value.

II. Management Response to the Recommendations

4. Recommendation 1: Clearly message and better communicate key procurement principles and objectives.

Management agrees. Putting the principles into practice is challenging. They are complex and multifaceted. What represents quality and value for money (VFM) in one transaction will often not be transferable to another. The challenge in effectively messaging and communicating the key procurement principles and objectives rests in clearly defining what success looks like in advance. Success may be manifested in increased competition and market engagement, life-cycle cost analysis, use of qualitative selection criteria, the application of sustainable procurement criteria (contributing to social, environmental, economic and governance goals). These measures should be identified through the strategic procurement planning process and progress towards their achievement tracked. ADB has already proposed to the MDB Heads of Procurement the development of a matrix that captures the multiple aspects of quality and VFM in procurement and once agreed, plans to use it to track, manage, and report procurement performance.

5. Recommendation 2: Prioritize and manage procurement contracts not only by size but also how critical they are to project success.

Management agrees. The current procurement review system (PRS), its value-based architecture and the manual process it is reliant upon have created a significant impediment to capturing contract packages based upon risk and criticality. Moving forward the strategic procurement planning process will identify contracts to be prioritized balancing project readiness and technical requirements. A key functionality expected to be embedded in the

replacement of PRS through the sovereign operations (SovOps) modernization project is the ability to define risk at the level of a contract package. In the interim such contract packages will be tracked and managed manually.

6. Recommendation 3: Strengthen the transparency and governance of procurement by further improving procurement data system design, integration, and management.

Management agrees. There have been significant improvements in procurement transparency through the introduction of the Annual Procurement Report and Procurement Dashboard (both in 2021). The need to improve data capture and its integration with ADB systems and data management and reporting is already recognized. The development of a solution to this recommendation is underway through the SovOps modernization project.

7. Recommendation 4: Commit strategic long-term investments to continue building on current initiatives to develop ADB and DMC procurement capacity.

Management agrees. ADB has already launched an ADB wide procurement certification program for developing member countries (DMCs) through a three-level course, BuildProc. The first two cohorts of 61 DMC officials commenced the program in 2022, over 200 more are expected to enroll in 2023. In 2022 internal training of ADB staff in sustainable procurement was rolled out, this will be expanded in 2023 to include DMCs. In 2023 ADB will also update the internal Procurement Accreditation Skills Scheme (PASS) to align it to the needs of the New Operating Model (NOM) of ADB. Delivery of these capacity building initiatives will primarily be by ADB staff. Under the NOM, procurement function forms part of the Regional Management Teams (RMTs). Through this medium- and long-term country level capacity and institutional development programs will be designed.

8. Recommendation 5: Promote interdepartmental collaboration to ensure that strategic procurement planning is integral and holistic practice that considers quality and value for money, including wider social and economic objectives and sustainable procurement.

Management agrees. Procurement with its model of outposting and strategic placement of procurement specialists in resident missions and sector divisions has already integrated procurement more closely into operations. The NOM offers a new opportunity to build upon this practice with the consolidation of procurement expertise across the Sectors Group, RMTs and country teams increasing collaboration and strengthening the strategic procurement planning process.